United Nations DP/2012/17

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
16 July 2012

Original: English

Second regular session 2012
4 to 10 September 2012, New York
Item 2 of the provisional agenda
Financial, budgetary and administrative matters

Annual review of the financial situation, 2011

Report of the Administrator

Summary

The present report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2011. Total income (contributions, interest and other income) dropped by 7 per cent to $5.54 billion, from $5.95 billion in 2010. Total contributions decreased by 7 per cent to $5.11 billion, from $5.49 billion in 2010. Total expenditures also decreased by 7 per cent to $5.57 billion, from $5.99 billion in 2010, ye[illegible]emained above the level of total income (by drawing from unspent resource balances).

Following three consecutive years of decline, contributions to regular (core) resources increased slightly to $975 million, 1 per cent above the 2010 level of $967 million. UNDP expenditures related to regular resources decreased by 9 per cent to $983 million, from $1.08 billion in 2010.

Other (non-core) resources contributions consisted of funding from programme country governments, which increased by 25 per cent, from $0.69 billion in 2010 to $0.86 billion; contributions from bilateral partners, which decreased by 10 per cent from $1.76 billion to $1.59 billion; and contributions from multilateral partners, which decreased by 11 per cent to $1.54 billion, from $1.74 billion in 2010. Total other resources contributions decreased by 5 per cent to $4.08 billion, from $4.31 billion in 2010. The overall decrease is mainly attributable to programmes in countries with special development situations. Contributions for such programmes dropped by 30 per cent to $1.17 billion, from $1.66 billion in 2010. Other resources expenditures amounted to $4.53 billion, a 3 per cent decrease compared to $4.67 billion in 2010, while remaining above the level of total contributions. Of the $4.53 billion in other resources expenditures, $0.86 billion was funded from programme-country Governments, compared to $0.69 billion in 2010).

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Other, or 'earmarked' resources, comprise an important complement to the regular or 'unearmarked' resource base. In 2011 UNDP was funded by 80 per cent 'earmarked' resources and 19 per cent 'unearmarked' resources, with UNCDF making up the remaining 1 per cent. The ability of UNDP to fulfill its multilateral mandate and deliver effective capacity-building is contingent on a viable mix of predictable core and non-core resources, which allows UNDP to pursue integrated management and programming focused on long-term effectiveness and sustainability.

UNDP coordinates the United Nations system at the country level and plays a vital role in forging development coherence. The value of fund flows to multi-donor trust funds, joint programmes and other United Nations organizations totaled $1.50 billion, compared to $1.15 billion in 2010. The increase was due primarily to a rise in contributions to multi-donor trust funds and joint programmes, from $610 million in 2010 to $887 million in 2011, in large part due to a significant increase in contributions to three multi-donor trust funds.

The comparative figures for 2010 presented in this summary contain figures for the entire year 2010 for the United Nations Women's Fund, which became part of UN Women on 2 July 2010, becoming operational on 1 January 2011 in accordance with General Assembly resolution 64/289. This change increases the magnitude of the comparative changes, representing approximately 4 per cent of the drop in income and expenditures when comparing 2011 with 2010.

Elements of a decision

The Executive Board may wish to: (a) take note of documents DP/2012/17 and DP/2012/17/Add.1; (b) note the slight increase in regular resources that is necessary for UNDP to fulfil its mandate adequately, to effectively support the development agenda of partner countries, and to provide an adequate and secure regular funding base; (c) urge Member States to support UNDP in reaching its regular resources targets and to commit, as early as possible, contributions to UNDP regular resources for 2012 and onwards, if possible through multi-year pledges; and (d) recall the importance of funding predictability and timeliness of payments to avoid liquidity constraints in regular resources.

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I. Introduction

1. This report provides an overview of the financial position of UNDP at the end of 2011, with comparative figures for 2010 where available. The analysis of UNDP activities combined with those of UNCDF at the aggregate level is followed by analyses of regular or core resources, other, or non-core resources, including for the United Nations Volunteers (UNV) programme, the funds established by the General Assembly – UNCDF – and other activities. Annex I reflects an overview of the aggregate figures, and annex II (available on the UNDP website) contains the definitions of terms used in this document. Table 1 of the addendum to the present report (DP/2012/17/Add.1) continues with a summary of all activities undertaken by UNDP. The percentages in the body of the report refer to data in the annexes.

2. As reported last year, UNIFEM is no longer covered by this report as it was merged into United Nations Women on 2 July 2010 and became operational on 1 January 2011 pursuant to General Assembly resolution 64/289. However, the comparative figures for 2010 presented in the summary and chapter II contain figures for UNIFEM for all of 2010, consistent with the information provided last year. The inclusion of UNIFEM in the 2010 comparative figures affects the relative magnitude of the comparative changes presented in the summary and chapter II, representing approximately 4 per cent of the drop in income and expenditures for 2011, and 3 per cent of the drop in unspent balances.

II. UNDP and UNCDF overall

3. At the aggregate level, UNDP combined with UNCDF saw a decrease in total income and total expenditure in 2011. UNDP was funded by 19 per cent core resources and 80 per cent non-core resources, with 1 per cent pertaining to UNCDF.

4. Total income is defined as the sum of contributions, interest income and other income. Total income in 2011 was $5.54 billion, a decrease of 7 per cent from the 2010 income of $5.95 billion. Total contributions, before a $0.01 billion transfer to the biennial support budget, decreased by 7 per cent, from $5.49 billion to $5.11 billion; interest income decreased to $0.08 billion (from $0.12 billion in 2010); and other income totalled $0.36 billion and remained at almost the same level as in 2010.

5. Contributions to core resources increased by 1 per cent to $975 million, compared to $967 million in 2010, due to favourable exchange rate movements in 2011 and partially offset by a decrease in the value of contributions (in the currency of the remittance). This followed three consecutive years of decline.

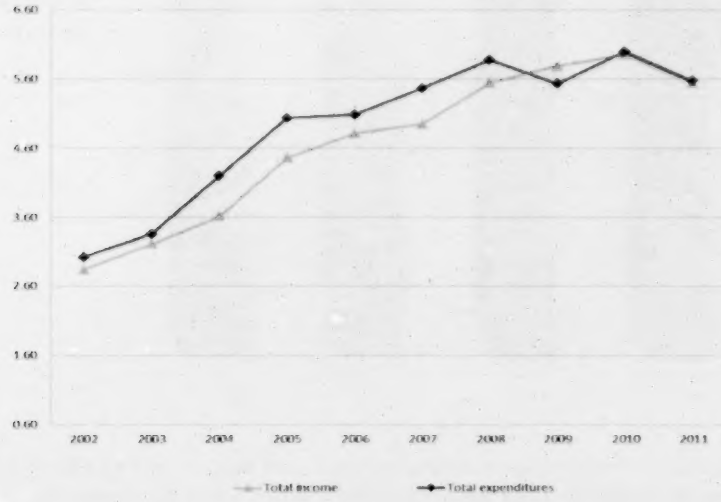
6. Non-core contributions reached a total of $4.08 billion, 5 per cent below the $4.31 billion reached in 2010. That decrease was partly attributable to programmes in countries facing special development situations. The contributions to those programmes dropped by 30 per cent to $1.17 billion, compared to $1.66 billion in 2010. Bilateral contributions amounted to $1.59 billion, a decrease of 10 per cent compared to $1.76 billion in 2010, with contributions for countries with special development situations falling from $1 billion in 2010 to $0.59 billion in 2011. Non-core resources entrusted to UNDP by multilateral partners reached $1.54 billion, down 11 per cent from $1.74 billion in 2010; contributions received for countries with special development situations dropped from $614 million in 2010 to $546 million in 2011. Other resources, channelled through UNDP by programme

country governments in support of their own national development, amounted to $0.86 billion, an increase of 25 per cent compared to $0.69 billion in 2010.

7. Other resources are earmarked for specific programmes and activities, and represent an important complement to the 'unearmarked' regular resource base of UNDP. Regular resources contributions, as a percentage of other contributions, increased to 24 per cent in 2011 as compared to 22 per cent in 2010, reflecting the fall in other resource contributions. The ability of UNDP to fulfil its mandate and to preserve its multilateral, impartial and universal character depends upon an adequate and secure regular funding base to support strategic, flexible management approaches focused on long-term effectiveness and sustainable development results.

8. Total expenditures decreased by 7 per cent to $5.57 billion, from $5.99 billion in 2010, yet remained above the level of total income (by drawing from unspent balances). Of the $5.57 billion, $4.66 billion (84 per cent) was spent on development activities; $392 million (7 per cent) on management activities; $155 million (3 per cent) on United Nations development coordination activities; $97 million (2 per cent) on special purpose activities, and $266 million (4 per cent) on activities other than those that fall under the four broad cost classifications, such as reimbursable support services and the reserve for field accommodations. Figure 1, below, shows the trend of overall income and expenditures.

Figure 1
Overall income and expenditures, 2002-2011
(in billions of dollars)



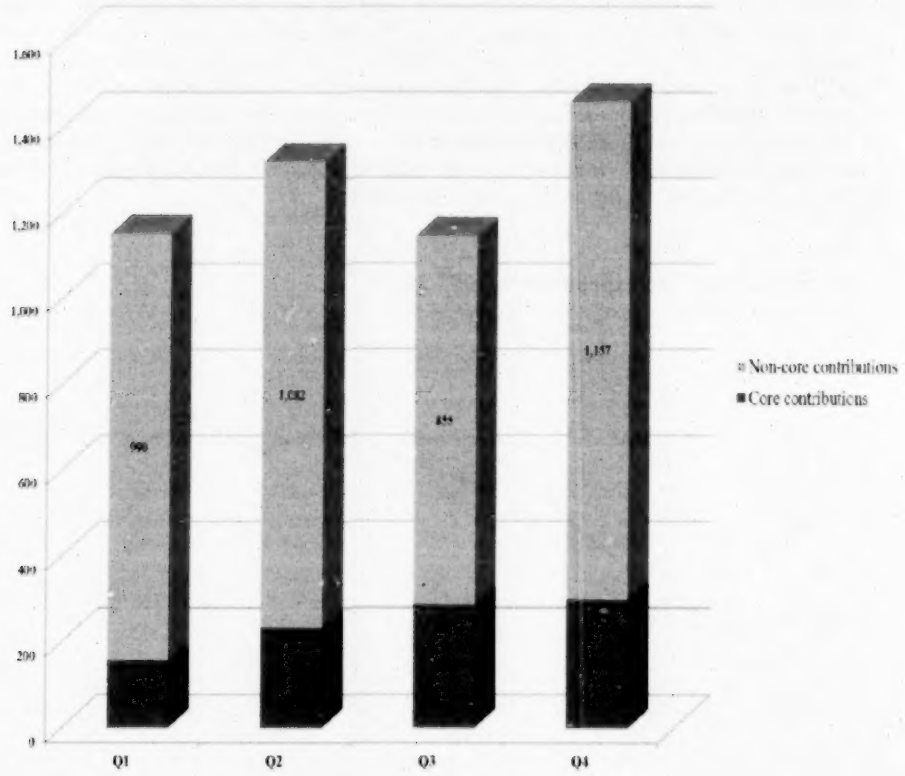
9. The overall balance of unexpended resources continued to fall, to $4.69 billion at the end of 2011, from $5.03 billion in 2010. That amount consisted of $333 million under regular resources, $4.30 billion under other resources, and $53 million under UNCDF. As UNDP is required to operate on a fully funded basis for all other resources activities, the cash is held for discrete purposes, without commingling or 'sharing' the balance of one project with another, and without fungibility of resources for commitment or disbursement of funds. A total of

$1.45 billion, or 29 per cent of total contributions (regular and other resources), were received in the last quarter, and can therefore be programmed only for delivery in future years. At the time of writing, the majority of unexpended resources have been programmed and will be delivered in future years. As shown in figure 2, below, of the total regular resources contributions of $975 million, $298 million (31 per cent) was received in the last quarter of 2011, as was $1.16 billion (28 per cent) of the total other resources contributions of $4.08 billion.

Figure 2

Regular (core) and other (non-core) resources income by quarter, 2011

(in millions of dollars)



10. The excess of income over expenditure was $38 million, and $12 million was released back to resources from the operational reserve, when the reserve level was adjusted downwards in 2011 in accordance with the formula approved by the Executive Board for the operational reserve in decision 1999/9 and subsequent related decisions.

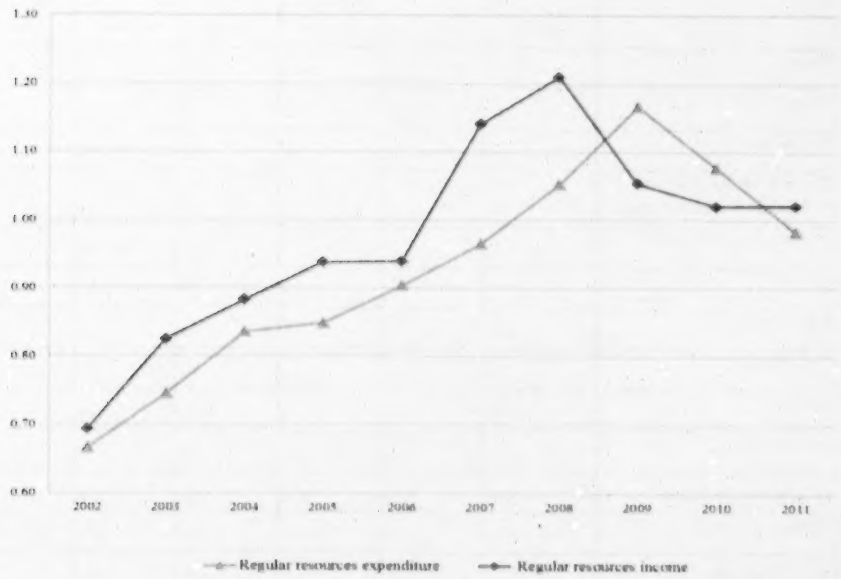
11. UNDP is fully committed to United Nations reform initiatives and to the optimization of its country-level coordination role in support of national development efforts. Total income for United Nations system coordination at the country level, and trust funds and joint programmes funded by multiple donors and managed by UNDP in its role as administrative agent, increased to $1.5 billion from

$1.15 billion in 2010. The increase was due largely to substantial contributions from donors to three multi-donor trust funds ('MDTFs'): the Haiti Reconstruction Fund, the Sudan Common Humanitarian Fund and the Somalia Common Humanitarian Fund. The $1.50 billion figure includes $887 million ($610 million in 2010) for multi-donor trust funds for which UNDP serves as administrative agent; $10 million for joint programmes managed by country offices ($28 million in 2010); and $607 million ($535 million in 2010) for management and operational services provided to other United Nations organizations by UNDP. In addition, UNDP contributed $155 million to United Nations development coordination activities.

III. Regular resources

12. Total regular resources income, inclusive of interest and other income was $1.02 billion, the same level as in 2010. Total expenditures decreased by 9 per cent, from $1.08 billion to $0.98 billion. The excess of income over expenditure was $38 million, and $12 million was released back to resources from the operational reserve in 2011, when the reserve level was adjusted downwards in accordance with Executive Board approved formula for the operational reserve in its decision 1999/9. The unexpended resource balance, exclusive of operational reserves, increased to $333 million, from $283 million in 2010.

Figure 3
Regular resources income and expenditures, 2002-2011
(in billions of dollars)



A. Income

13. Total regular resources income inclusive of interest and other income remained at $1.02 billion, almost the same level as in 2010.

Contributions

14. Regular resources contributions increased by 1 per cent to $975 million, from $967 million in 2010, due mainly to favourable exchange rate movements in 2011 partially offset by a decrease in the value of contributions (in the currency of the remittance). This followed three consecutive years of decline.

15. As shown in table 1, below, contributions from the top 10 donors to regular resources increased by 2 per cent in dollar terms, to $794 million from $775 million in 2010. Whereas most bilateral donors maintained their contributions, some increased them, including Australia, Belgium, Finland, and Ireland. Nine of the Development Assistance Committee countries of the Organisation for Economic Co-operation and Development reduced their contributions in local currency. A total of 57 Member States contributed towards core resources, including 30 programme countries, notably the People's Republic of China at $3.63 million; India at $4.15 million; and Saudi Arabia at $2.00 million. Afghanistan, Bhutan, Cote d'Ivoire, the Czech Republic, Estonia, Hungary, Malaysia, the Russian Federation and Viet Nam all resumed making contributions in 2011.

Table 1
Regular resources contributions from top 10 donors, 2010-2011

Donor	Contributions in local currency			Contributions in millions of dollars		
	2010	2011	Per cent change	2010	2011	Per cent change
Norway	770	770	-	118	132	12%
Sweden	630	689	9%	88	105	19%
Netherlands	90	66	-27%	121	95	-21%
United Kingdom of Great Britain and Northern Ireland	55	55	-	85	88	4%
United States of America				99	84	-15%
Japan *				73	82	12%
Denmark	320	320	-	58	60	3%
Switzerland	54	54	-	56	59	5%
Canada	50	50	-	48	51	6%
Germany	22	27	23%	29	38	31%
Total of top 10 donors	N/A	N/A	N/A	*775*	*794*	2%
Others	N/A	N/A	N/A	*192*	*181*	-6%
Total resources				**967**	**975**	1%
Source: Table 7, DP/2012/17/Add.1.						
*** The contributions of Japan are pledged and received in US dollars.**						

Interest income

16. Interest income on regular resources was $18 million, compared to $14 million in 2010. The increase was due largely to accounting adjustments. As in 2010, UNDP avoided any loss of principal in its investments despite financial market volatility.

Other income

17. Other income, mainly comprising miscellaneous income and exchange gains, was $37 million ($48 million in 2010). The decrease was due, in part, to exchange rate fluctuations.

B. Expenditure

18. In accordance with Executive Board decision 2009/22, expenditures are reported in 2011 in the four broad cost-classification areas: (a) development; (b) United Nations development coordination; (c) management; and (d) special purpose. In addition, other expenditures, which do not fall under any of the four broad cost classifications, are reported as part of overall expenditures.

Biennial support budget expenditures

19. Net biennial support budget expenditures increased by approximately 3 per cent, from $363 million to $375 million. This was in line with typical budgetary performance in the second year of a biennium, as investments approved by the Executive Board are spread over two years and deliberate measures are taken to reduce spending in the first year. The investments were undertaken in the areas of management (support to crisis prevention and recovery activities, knowledge management, and operational support in the Africa region) and development effectiveness (strengthened substantive response and contributions in the areas of climate change, Millennium Development Goals achievement, crisis prevention and recovery, and South-South cooperation). Those investments were offset by budget reductions in other areas of the 2010-2011 biennial support budget.

20. For the 2010-2011 period, biennial support budget expenditures are reported using the categories recommended by the Executive Board in its decision 2009/22. By category, 12 per cent of the biennial support budget expenditures in 2011 was spent on development effectiveness activities, 21 per cent on United Nations development coordination activities, 62 per cent on management activities, and 5 per cent on special purpose activities.

21. Government contributions towards local office costs (known as 'GLOC') represent an important source of income by helping to defray biennial support budget costs for UNDP country offices. These contributions can be made as cash and/or as an in-kind donation. They also represent an acknowledgement by host Governments of the value they place on the UNDP country office presence.

22. The value of GLOC in-kind contributions increased slightly ($11.4 million) compared to 2010, ($11 million). GLOC cash contributions decreased by approximately $3.1 million (14 per cent) over 2010 levels to $22.9 million. The Administrator appreciates efforts made by many programme countries in meeting their GLOC obligations. In cases of non-compliance, however, UNDP will maintain the option of withholding a portion of institutional budget resources from countries with significant GLOC deficits.

23. Total regular resources expenditures decreased by 9 per cent, from $1.08 billion in 2010 to $983 million.

Table 1 (a)
Regular resources expenditure, by cost classification
(in millions of dollars)

	2010	2011
Development	627	564
UN development coordination	94	91
Management	224	233
Special purpose	43	50
Other expenditures	88	45
	1076	983

Development expenditures

24. Development activities comprise programme and development effectiveness activities. Net expenditures on those activities amounted to $564 million, as compared to $627 million in 2010. A total of $95 million (17 per cent of total development expenditures) was spent in countries facing special development situations.

United Nations development coordination expenditures

25. Expenditures on United Nations development coordination activities support the coordination of development activities of the United Nations system. Net expenditures on those activities amounted to $91 million, compared to $94 million in 2010.

Management expenditures

26. Net expenditures on management activities amounted to $233 million in 2011 as compared to $224 million in 2010. The increase was due to approved investments in the areas of support to crisis prevention and recovery activities, knowledge management, and operational support in the Africa region.

Special purpose expenditures

27. Net expenditures incurred on special purpose activities equaled $50 million, an increase of 14 per cent from $43 million in 2010. Special purpose activities represent cross cutting activities that are further classified into three groupings: General Assembly-mandated activities, non-UNDP operations administered by UNDP, and capital investments. A total of $31 million was spent on General Assembly-mandated activities, which include human resources contractual reform, United Nations-mandated security costs, adoption of the international public sector accounting standards, and the Office of Administration of Justice. $19 million was spent on non-UNDP operations administered by UNDP (the UNV programme and UNCDF).

Other expenditures

28. Other expenditures totaled $45 million. Of that amount, $23 million was due to the revaluation of currencies and exchange rate fluctuations.

29. UNDP participates in the United Nations system-wide review of the economic and demographic assumptions to value post-retirement benefits already earned by UNDP and UNV staff. The latest valuation, coordinated by the United Nations insurance unit, was carried out by a new independent consulting actuary as at 31 December 2011. After-service health insurance liability increased from $430 million in 2009 to $827 million at 31 December 2011. The time-horizon for the discharge of organizational post-retirement liabilities is fairly long and the base assumptions such as inflation rates, interest rates and health-care cost inflation lead to marked variations in the liability estimates of each valuation. The increase in the most recent review is due principally to changes in interest rate assumptions – a reflection of the prevailing economic environment.

30. Since 2000, UNDP has a funding strategy for the after-service health insurance liability ('ASHi') and has been setting aside resources to fund it. The reserve was $453 million at 31 December 2011. The funding strategy will be adjusted to address the increase in the ASHI liability following the actuarial valuation and will be funded from both core resources and income from cost recovery.

C. Balance of unexpended resources

31. The balance of unexpended regular resources, excluding the operational reserve, increased to $333 million at the end of 2011, compared to $283 million in 2010. This represented 7 per cent of the overall balance of unexpended resources, up from 6 per cent in 2010. This was due mainly to the drop in target for resources assignment from the core and other expenditures, and an adjustment to the operational reserve.

32. As in the previous year, significant amounts of funds ($298 million or 31 per cent of contributions to regular resources) were received in the last quarter of 2011, which, together with uncertainty, distorts the unexpended regular resources balance reported at year-end. In addition, specific cash balances are set aside for regulatory reasons, such as for the operational reserve. In other cases, balances are earmarked for prudent management of future liabilities (such as after-service health insurance). Other amounts cover routine operations, including the settlement of accounts payable, unliquidated obligations and inter-fund transactions with other United Nations organizations.

33. A prudent level of liquidity for UNDP regular resources would be the equivalent of expenditures for three to six months, implying a total liquidity of between $245 million and $490 million at the 2011 expenditure level, At the end of 2011 the UNDP year-end liquidity position represented approximately 4.1 months of working capital, an increase from 3.1 months at year-end 2010.

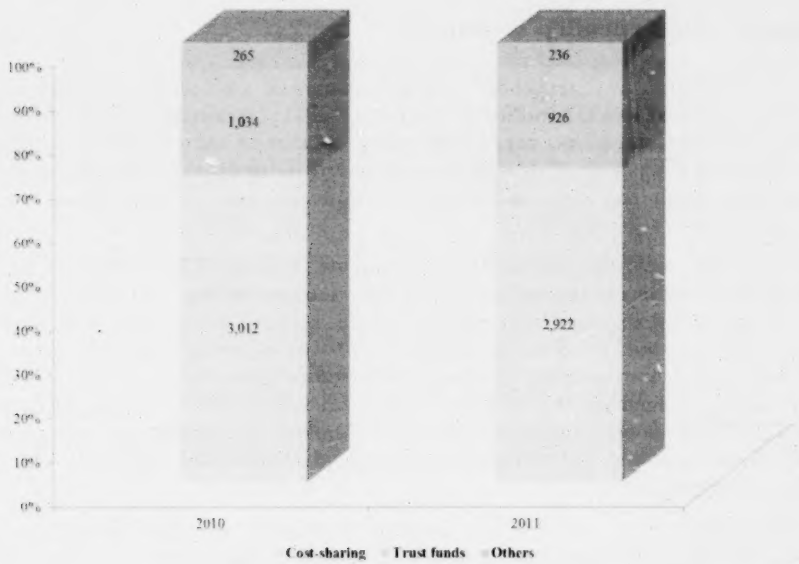
34. In accordance with Executive Board decision 1999/9, the formula for the calculation of the level of the UNDP regular resource operational reserve was amended on the basis of document DP/1999/5/Rev.1. In 2010, $16 million in transfers to regular resources operational reserves were made to sustain the prescribed statutory reserve requirements and maintain liquidity. In 2011, based on the revised formula for the statutory reserve requirements approved by the Executive Board and on the final income and expenditures figure for 2010, the regular resources operational reserves were adjusted downwards in 2011, and $12 million was transferred back to the regular resources fund balance.

35. Based on the final income and expenditure data for the year 2011, the operational reserve will be adjusted downwards, from $226 million to $213 million. The $13 million will be transferred to the general resources of UNDP in 2012.

IV. Other resources

36. Other resources are composed of cost-sharing, trust funds, reimbursable support services, the Junior Professional Officer programme and miscellaneous activities, such as management service agreements. Reimbursable support services and miscellaneous activities are shown as 'others' in figure 4, below.

Figure 4
Other resources contributions by funding mechanism, 2010-2011
(in millions of dollars)



A. Income

37. Overall income for other resources decreased by $242 million (5 per cent), from $4.71 billion in 2010 to $4.47 billion in 2011.

Contributions

38. Other resources contributions totaled $4.08 billion, a decrease of 5 per cent from $4.31 billion in 2010. As shown in figure 4, contributions for all other resources funding mechanisms, such as management service agreements, the Junior Professional Officers programme and UNV, dropped compared to 2010. Cost-sharing contributions decreased by 3 per cent, trust funds contributions by 10 per cent, and other funding mechanisms by 11 per cent.

39. A comparison of other resources contributions between 2010 and 2011, by funding source, is set out in table 2, below.

Table 2
Comparison of contributions by funding source, 2010-2011
(in billions of dollars)

	Contributions		
Funding source	*2010*	*2011*	*Change*
Bilateral donor governments	1.76	1.59	-10%
Non-bilateral/multilateral sources	1.74	1.54	-11%
Programme country governments	0.69	0.86	+25%
Other sources	0.12	0.09	-25%
Total	**4.31**	**4.08**	**-5%**

Bilateral donors

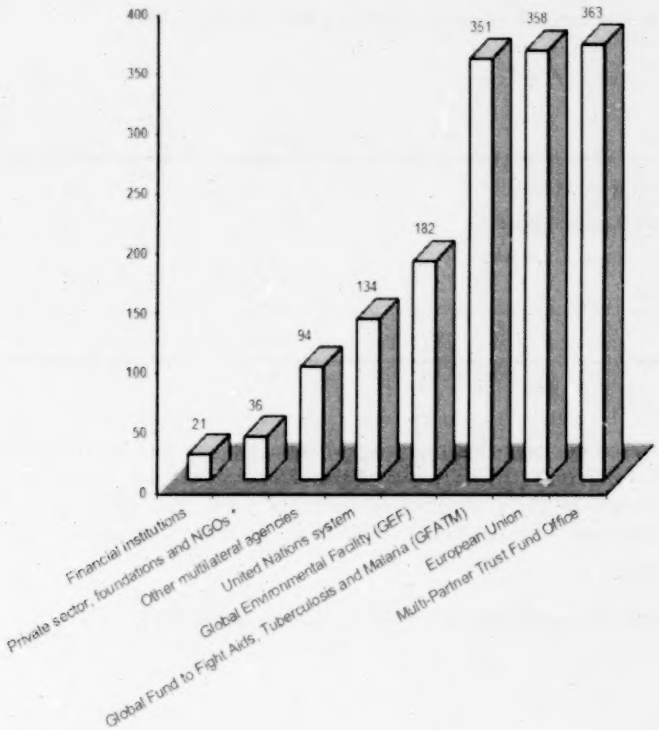
40. Other resources contributions from bilateral donors decreased by 10 per cent to $1.59 billion, from $1.76 billion in 2010. Figure 5, below, represents the top 10 bilateral donors and their contributions to other resources, which amounted to $1.38 billion (87 per cent of total contributions from bilateral donor governments).

Figure 5
Other resources contributions, top 10 bilateral donors, 2011
(in millions of dollars)

Multilateral partner sources

41. Other resources entrusted to UNDP by multilateral partners have decreased by 11 per cent to $1.54 billion, compared to $1.74 billion in 2010. Figure 6 represents the breakdown of multilateral partners that contributed to other donor resources.

Figure 6
Other resources contributions, multilateral partners, 2011
(in millions of dollars)



* non-governmental organizations

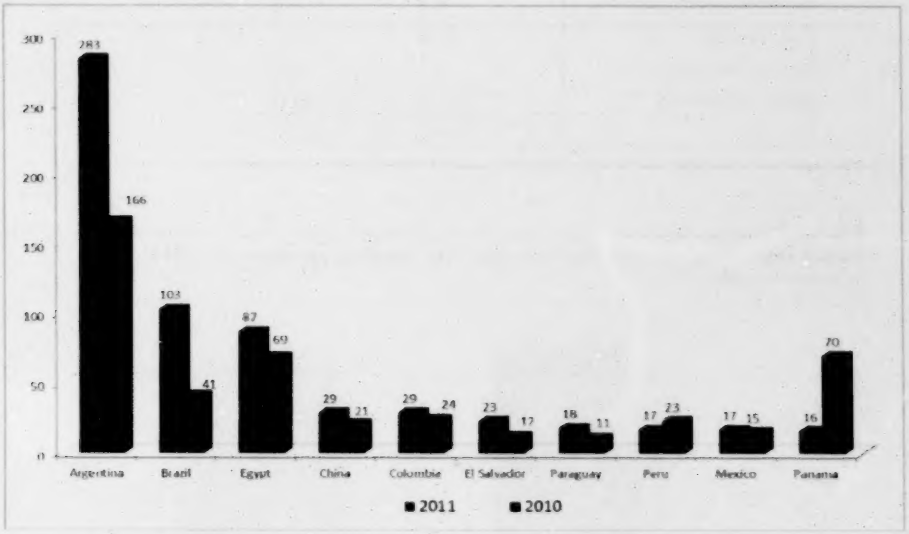
Programme country governments

42. Contributions from programme country governments, excluding management service agreements ('MSAs'), represented 15 per cent of total other resources contributions. That pool of resources increased by 25 per cent, from $0.69 billion in 2010 to $0.86 billion in 2011, exceeding the rate of portfolio realignment called for within the strategic plan.

43. Of programme country government contributions, 72 per cent came from the governments of 10 programme countries (see figure 7). Among the top 10 countries, Argentina, Brazil, and El Salvador increased their contributions significantly.

Colombia, Egypt, Mexico and the People's Republic of China also increased their contributions. Panama and Peru decreased their contributions. The percentage share of the top 10 countries to the total programme country government contributions had been dropping since 2007: from 78 per cent of the total in 2007, to 72 per cent in 2008, to 71 per cent in 2009, to 67 per cent in 2010. In 2011, however, it increased to 72 per cent.

Figure 7
Programme country governments — contributions
Top 10 countries, 2010-2011
(in millions of dollars)



44. Management service agreement contributions decreased by 21 per cent, from $122 million in 2010 to $96 million in 2011. The distribution of income is shown in DP/2012/17/Add.1, table 12.

Interest income

45. Interest income decreased by 39 per cent, from $104 million in 2010 to $63 million in 2011. The decrease was attributable to a lower yield earned on the UNDP commingled portfolio, reflective of the yields in the market and accounting adjustments.

Other income

46. Other income amounted to $322 million, an increase of 9 per cent from 2010. Other income was largely made up of: fees for support services; reimbursements for common services, other support services and field security provided for the United Nations Department of Safety and Security; and income from other funding sources.

B. Expenditures

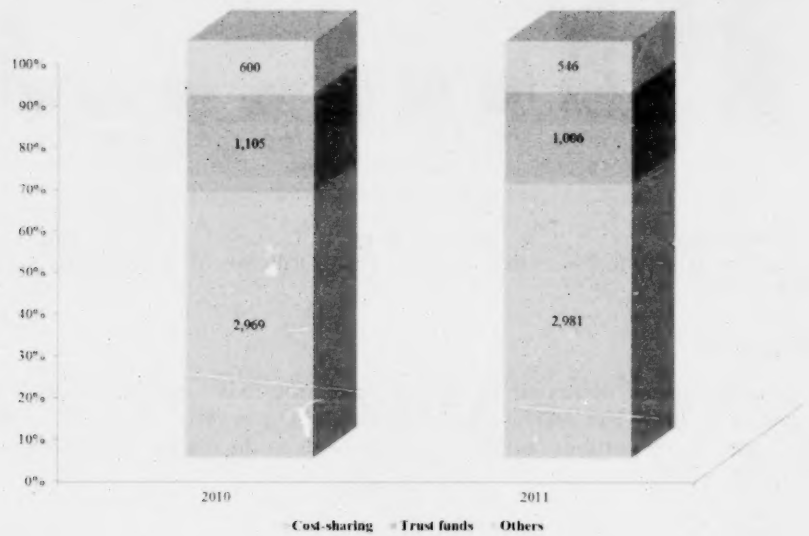
47. Overall expenditures of other resources amounted to $4.53 billion, a 3 per cent decrease from $4.67 billion in 2010.

Table 2 (a)
Other resources expenditure, by cost classification categories, 2011
(in millions of dollars)

	2010 1/	2011
Development	4,134	4,044
UN development coordinatio	68	63
Management	194	158
Special Purpose	44	47
Other expenditure	234	221
	4,674	4,533

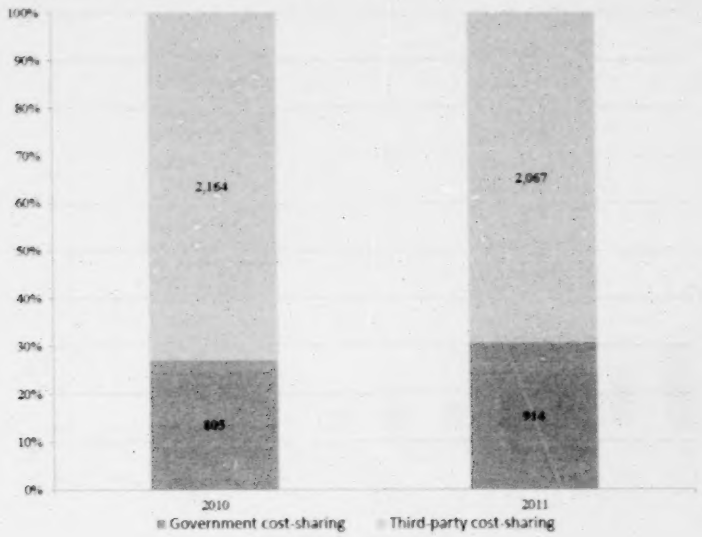
1/ Cost classification expenditure amounts have been re-stated for better comparison between the two years

Figure 8
Other resources: overall expenditures, by funding mechanism, 2011
(in millions of dollars)



48. The breakdown of cost-sharing expenditure funded between programme governments and third-party donors is shown in figure 8(a), below. In a similar trend to contributions, development expenditures funded by programme government cost-sharing amounted to $914 million, an increase of 14 per cent, compared to $805 million in 2010. In contrast, expenditures funded by third-party donors decreased by 4 per cent, from $2.16 billion to $2.07 billion.

Figure 8 (a)
Breakdown of cost-sharing expenditures, 2011
(in millions of dollars)

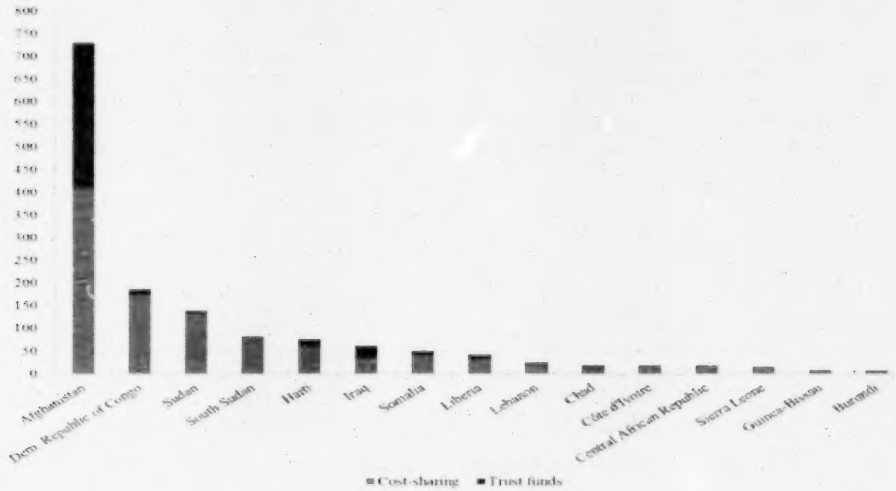


Development expenditures

49. Expenditures for development activities, including development effectiveness activities, amounted to $4.04 billion. As reflected in figure 8, above, cost-sharing development expenditures increased by 0.4 per cent, from $2.97 billion to $2.98 billion. Trust funds development expenditure decreased by 10 per cent, from $1.1 billion in 2010 to $1 billion in 2011. 'Others' development expenditure (reimbursable support services and miscellaneous activities) was unchanged, at $0.06 billion.

50. Of the $4.04 billion in development expenditures, $1.48 billion (37 per cent) was incurred in the countries facing special development situations. This represents a 5 per cent decrease compared to 2010 expenditure of $1.56 billion. As figure 9 illustrates, Afghanistan accounted for the largest expenditure: $730 million (2010: $755 million), or 18 per cent of the total, of other resources development expenditures.

Figure 9
Other resources development expenditures: countries in special development situations, 2011
(in millions of dollars)



51. Of the other resources development expenditures of $1.48 billion incurred in countries facing special development situations, $897 million (61 per cent) was funded by bilateral donors, $153 million (10 per cent) by the European Union, $100 million (7 per cent) by the Global Fund to Fight Aids, Tuberculosis and Malaria, $209 million (14 per cent) from multi-donor trust funds, and $120 million (8 per cent) by other multilateral donors.

United Nations development coordination

52. A total of $63 million was spent on United Nations development coordination activities in the other resources category.

Management expenditures

53. Total expenditures for management activities amounted to $158 million.

Special purpose expenditures

54. Special purpose expenditures amounted to $47 million. This included $8 million incurred by UNV for its reimbursable support services, $22 million for reimbursable support services by UNDP to other United Nations organizations, $15 million for General Assembly-mandated security costs, and $2 million for General Assembly-mandated costs related to the introduction of international public sector accounting standards ('IPSAS').

Other expenditures

55. Other expenditures (as defined in the cost classification) totaled $221 million. Of this, $117 million was spent on common service activities in country offices.

C. Cost recovery policy

56. In line with decisions 2006/30 and 2007/18, whereby the Executive Board stipulated that both regular and other resources should fund and support the priorities set out in the strategic plan and regular resources should not subsidize the costs of programmes funded by other resources, the UNDP cost recovery policy establishes that all costs associated with the delivery of 'other resources'-funded programmes at the country and headquarters levels are to be fully covered through specific cost recovery mechanisms.

57. UNDP makes every effort to recover the general management and implementation costs associated with the delivery of 'other resources'-funded programmes and projects at the country and headquarters levels and to other United Nations entities. The objective is to recover the costs of providing services, so that the UNDP core biennial support budget does not bear costs that it was never intended to bear.

58. The total cost recovery income and its utilization in 2011 is shown in the table 3, below.

Table 3
Cost recovery, 2011
(in millions of dollars)

Cost recovery	*Programme and project delivery*	*Reimbursable support services*	*Total*
Income			
General management/implementation support services	227		227
Common services		124	124
United Nations organizations reimbursable services	17	27	44
Interest	7		7
Administrative agent fees	9		9
Other	25		25
Total income	**285**	**151**	**436**
Expenditures			
Staff/personnel costs	160	35	195
General operating expenses	75	103	178
Total expenditures	**235**	**138**	**373**

59. Total income increased by 3 per cent, from $423 million in 2010 to $436 million in 2011. Total expenditures increased by 8 per cent, from $344 million to $373 million. Included in the cost recovery income of $285 million listed in table 3, above, is the general management support income of $227 million from cost-sharing and trust funds. That income is not included in the 'total other income' of other resources to avoid duplication. In the 2010-2011 biennial support budget document (DP/2010/3), UNDP reported on the exceptions granted on the cost recovery policy. In 2011 two additional general management support waivers were granted: (a) a reduced 5 per cent fee for a contribution to the Office of the Quartet Representative,

Programme of Assistance to the Palestinian People; and (b) a reduced 4 per cent fee for a contribution to the Law and Order Trust Fund for Afghanistan (phase VI).

D. Balance of unexpended resources

60. The balance of unexpended other resources at the end of 2011 continued to fall, decreasing by 4 per cent to $4.30 billion, compared to $4.49 billion at the end of 2010. Unexpended other resources represented 92 per cent of the overall balance of unexpended resources (89 per cent in 2010). This balance consists of $2.39 billion ($2.49 billion in 2010) from cost-sharing, $1.05 billion from trust funds ($1.14 billion in 2010), and $0.84 billion ($0.84 billion in 2010) from reimbursable support services, with the remaining $0.02 billion from government cash counterpart contributions ($0.02 billion in 2010). The majority of unexpended resources have been programmed and for delivery in future years.

61. As was the case for regular resources, significant amounts of funds (28 per cent of other resources contributions) were received in the last quarter of 2011, a pattern which distorts the unexpended resource balance reported and influences the peak levels of cash at year-end. To illustrate, UNDP Afghanistan received 31 per cent ($154 million) of its total 2011 contributions of $493 million in the fourth quarter, and UNDP South Sudan received 33 per cent, or $16 million, of its 2011 total contributions of $48 million in the fourth quarter.

62. UNDP is required by its financial regulations and rules to operate on a fully funded basis for all other resources activities. In accordance with current partnership agreements, all project balances are completely segregated for accounting and reporting purposes. The cash is held for discrete purposes, with no commingling or 'sharing' of balances between projects and no fungibility of resources for commitment or disbursement of funds. In addition, specific cash balances set aside for regulatory reasons – such as the operational reserve – are earmarked for the management of future liabilities (such as after-service health insurance) or are held to meet the requirements of routine operations, such as to settle current liabilities.

63. Noting the continuing reduction, UNDP concludes that the current level of unspent balances remains reasonable, taking into account the timing of the receipt of funds, the programme cycle, and the UNDP governance framework as approved by the Executive Board and documented in the financial regulations and rules. Looking forward, however, UNDP is seeking to develop an integrated resource framework with the intent of better coordinating regular and 'other' resources. The framework would enable resources to be considered collectively, through the merger of the institutional and the programme budget, within a unified framework of regular and 'other' resources. This should facilitate strategic resource planning, allocation and monitoring, as well as strengthen results-based resource allocation.

E. Others

United Nations Volunteers programme

64. In 2011, 7,303 United Nations volunteers, representing 162 nationalities, carried out 7,708 assignments in 132 countries. These operations, supported by UNDP regular resources, amounted to $236 million. Of this, 10 per cent was covered from contributions made directly to the UNV programme (the special voluntary fund, cost-sharing, trust funds and full funding arrangements). The rest

was covered by direct charges to programmes of the United Nations and its organizations, funds and programmes, including UNDP.

Junior Professional Officers programme

65. A total of 24 governments had agreements with UNDP for the provision of junior professional officers ('JPOs') in 2011. As of 31 December 2011, UNDP administered 323 junior professional officers and 39 special assistants to the Resident Coordinator. This compared to 364 junior professional officers and 39 special assistants to the Resident Coordinator as of 31 December 2010. Of those 362 junior professional officers and special assistants to the Resident Coordinator, 199 worked with UNDP and affiliated funds, while UNDP administered 163 on behalf of other United Nations organizations and partners. Thirty-one per cent (62 junior professional officers and special assistants to the Resident Coordinator) served in New York and at other headquarters locations.

66. UNDP received $57 million in contributions for the Junior Professional Officers programme, as compared to $45 million in 2010. Total expenditures, including support costs, increased to $53 million, from $52 million in 2010. The resource balance available at the end of 2011 was $34 million, compared to $31 million in 2010 (and $38 million in 2009).

Reserve for field accommodation

67. In 1979, a reserve of $25 million was established to finance the field accommodation ('RFA'), providing housing for internationally recruited, UNDP-financed field personnel, and, exceptionally, office accommodation. The unexpended resource balance of the reserve was a deficit of $493 thousand, compared to $1.12 million in 2010. The cumulative operating deficit is derived mainly from housing rental and offices premises operations.

Direct budget support

68. In its decision 2008/24, the Executive Board endorsed, in principle, a four-year pilot (commencing September 2008) allowing UNDP financial contributions to pooled funding and to sector budget support, on a case-by-case basis upon the request of the recipient country, in accordance with the mandate and comparative advantage of UNDP, and in line with the guidance provided in DP/2008/36 and its Corrs. 1 and 2.

69. A request from the Government of Burkina Faso for UNDP participation in sector budget support was approved in 2009 for two projects in priority areas established by the Government: HIV/AIDS and human rights promotion. Each initiative falls within the core mandate of UNDP. The UNDP contribution to sector budget support in Burkina Faso for 2011 in the areas of HIV/AIDS amounted to 85,000,000 CFA francs ($174,885 out of a total contribution of 926,415,770 CFA francs ($1,906,073). This represented 9.18 per cent of HIV/AIDS sector budget funds. The amount, funded from regular resources, was below the cap of 10 per cent of the annual authorized spending limit of core funds contained in the resource planning framework established by the Executive Board.

V. United Nations reform and support to other United Nations organizations

70. In addition to its own operational activities, UNDP coordinates the United Nations system at the country level and plays a vital role in fostering development coherence. Based on the available data, the value of fund flows to multi-donor trust funds, joint programmes and support to other United Nations organizations totaled $1.50 billion, compared to $1.15 billion in 2010.

A. UNDP administrative agent function

71. UNDP provides significant support to joint programming activities, both through its role as administrative agent of joint programmes and multi-donor trust funds on behalf of the United Nations development system and through its programme implementation role as a participating United Nations organization. The total value of contributions received by UNDP on behalf of the United Nations system for multi-donor trust funds was $887 million, including the Ecuador Yasuni Capital Window, ($610 million in 2010). Contributions for joint programmes managed by country offices amounted to $10 million ($28 million in 2010). The increase in contributions is registered largely in the three multi-donor trust funds: the UNDG Haiti Reconstruction Fund, the Sudan Common Humanitarian Fund and the Somalia Common Humanitarian Fund. The total value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was $1.02 billion ($969 million in 2010). This includes $363 million in funds transferred to UNDP for UNDP programmes ($357 million in 2010). The funds transferred incorporated a portion of the 2010 unspent balance of $792 million.

B. Support to United Nations organizations

72. UNDP country offices provide operational support to other United Nations organizations. The funds for those services, recorded in United Nations organization services clearing accounts totaled $607 million in fund flows to other United Nations organizations. This was a slight increase over 2010 ($531 million).

C. United Nations development coordination activities

73. UNDP plays important roles in United Nations system coordination and in country-level coordination in support of national development. United Nations development coordination activities are funded by both regular and other resources, and combined expenditures were $155 million ($91 million from regular resources and $64 million from other resources). UNDP encourages Member States to continue to support this activity.

D. United Nations-mandated security costs

74. In its decision 2010/1, the Executive Board approved the net amount of $58 million as a separate requirement from regular resources for United Nations-mandated security costs for the 2010-2011 biennium. The Administrator was granted

the exceptional authority, during 2010-2011, to disburse, if needed, up to an additional 30 per cent ($17.4 million) of the $58 million for new and emerging security mandates as defined in United Nations Department of Safety and Security directives. No disbursements were made against the exceptional authority granted.

75. The $58 million approved by the Executive Board forms part of a total estimated requirement of $85 million in 2010-2011 for security measures mandated by the United Nations. That sum consists of $58 million from regular resources, $25 million from other resources, and $2 million through a credit from prior period overbillings by the United Nations Department of Safety and Security. In 2011, UNDP spent $31 million ($33 million in 2010), including $15 million ($11 million in 2010) in other resources. Of the $31 million spent, $20 million ($17 million in 2010) is associated with the UNDP share of the United Nations field security coordination programme, and $11 million ($16 million in 2010) with country office security assessments of and investments in security compliance, improvement of premises security, blast and seismic assessments, and office relocations, both in the field and at headquarters locations.

VI. International Public Sector Accounting Standards

76.The international public sector accounting standards ('IPSAS') were adopted on 1 January 2012, in accordance with General Assembly resolution 60/283, and the first standards-compliant annual financial statements will be published in 2013. Adoption of the standards is essential for transparent financial reporting, strong accountability and good governance, and will result in more complete disclosure and accounting of assets and liabilities, and improved management, tracking and reporting of financial and non-financial assets. As of 2012 employee costs and associated obligations, such as annual leave and after-service health insurance, will be fully recognized and allocated to the funding sources of the activities from which they arise.

77. Adoption of the international public sector accounting standards required the formulation and adoption of 38 new accounting policies; the training of over 4,000 staff; the creation of over 100 new reports; and significant system changes: notably, for revenue recognition and asset management. To ensure the most efficient means of compliance, UNDP established its 'global shared service centre' to centralize the recording of complex standards-related functions on behalf of UNDP country offices, and to support to them in ensuring a successful transition to and compliance with the standards.

78. The Executive Board, in its decision 2010/1, approved a total of $13 million for international public sector accounting standards-related activities during 2010-2011. This included funding for policy formulation, systems configuration, report development, global training and global shared service centre costs. In 2011 UNDP spent $6.8 million preparing for adoption of the standards and $480,000 on global shared service centre start-up costs ($9.3 million total in 2010-2011). Further expenditures will be incurred in 2012 and 2013 for remedial training, additional reporting and process improvement. As the standards evolve over time, further investments will be required to ensure the adoption of future standards mandated by the 'IPSAS' board.

VII. Funds administered by UNDP

79. Detailed data for UNCDF, which is administered by UNDP, is provided in table 5(a) in the addendum to the present report (DP/2012/17/Add.1).

United Nations Capital Development Fund

80. In 2011, UNCDF operated in 42 of the 48 least developed countries, focusing particularly on post-conflict countries. Total contributions in 2011 amounted to $50 million ($38 million in 2010). This included a slight increase in the volume of regular resources due to exchange rates, and a substantial increase in other resources. The overall resource outlook remains uncertain, with continued pressure on core resources and a positive outlook for other resources.

81. Total programme expenditures increased to $51 million (other resources expenditures accounted for 48 per cent of total programme resources). All programme expenditures were for joint programmes with UNDP. UNCDF disbursed $23 million in grants, already reflected in expenditures, and $150,000 in loans. The total operational reserve for both UNCDF regular and other resources was stable at $25 million. Accordingly, UNCDF was able to deliver its planned development, management and financial results while sustaining its liquidity.

82. The $51 million total in programme expenditures excludes $3 million allocated to UNCDF by UNDP in accordance with Executive Board decision 2007/34. That amount was fully expended by UNCDF but is being recorded and reported separately by UNDP. In addition, $4.45 million in the UNDP biennial support budget was set aside for UNCDF management expenditures.

Annex I

UNDP overview

A. Statement of income and expenditures for the year ended 31 December 2011, with comparative figures for 2010

(in thousands of dollars)

	Regular resources			Other resources [b]			Funds [c]			Total		
	2011	2010	+/-	2011	2010	+/-	2011	2010	+/-	2011	2010	+/-
Income												
Contributions	974,804	967,132	1%	4,083,972	4,311,319	(5)%	49,827	209,235	(76)%	5,108,603	5,487,686	(7)%
Less transfer to biennial support budget	(9,088)	(9,632)	(6)%	-	-	-	-	-	-	(9,088)	(9,632)	(6)%
Contributions – net	965,716	957,500	1%	4,083,972	4,311,319	(5)%	49,827	209,235	(76)%	5,099,515	5,478,054	(7)%
Interest income	17,663	14,165	25%	63,280	103,661	(39)%	305	1,438	(79)%	81,248	119,264	(32)%
Other income	37,459	48,084	(22)%	322,400	297,127	9%	2,151	11,495	(81)%	362,010	356,706	1%
Total income	1,020,838	1,019,749	0%	4,469,652	4,712,107	(5)%	52,283	222,168	(76)%	5,542,773	5,954,024	(7)%
Expenditure [a]												
Development	564,168	626,849	(10)%	4,043,968	4,134,390	(2)%	50,508	219,564	(77)%	4,658,644	4,980,803	(6)%
United Nations development coordination	91,335	93,752	(3)%	63,361	67,484	(6)%	-		-	154,696	161,236	(4)%
Management	232,553	224,082	4%	157,515	193,955	(19)%	2,013	22,226	-	392,081	440,263	(11)%
Special purpose	49,676	43,430	14%	47,407	44,305	7%	-		-	97,083	87,735	11%
Other expenditure	44,802	87,733	(49)%	221,229	234,398	(6)%	5	140	-	266,036	322,271	(17)%
Total expenditure	982,534	1,075,846	(9)%	4,533,480	4,674,532	(3)%	52,526	241,930	(78)%	5,568,540	5,992,308	(7)%
Excess (shortfall) of income over expenditure	38,304	(56,097)	(168)%	(63,828)	37,575	(270)%	(243)	(19,762)	(99)%	(25,767)	(38,284)	(33)%
Savings on prior biennium obligations	-	596	(100)%	-	-	-	-	-	-	-	596	(100)%
Transfer (to or from reserves)	12,000	(16,000)	-	(7,000)	(2,000)		-	(1,390)	(100)%	5,000	(19,390)	(126)%
Refunds to donors and transfers (to or from other funds)	58	(48)	-	(116,195)	(99,062)	17%	(187)	(799)	(77)%	(116,324)	(99,909)	16%
Fund balances, 1 January	282,863	354,412	(20)%	4,486,519	4,550,006	(1)%	52,956	280,690	(81)%	4,822,338	5,185,108	(7)%
Fund balances, 31 December	333,225	282,863	18%	4,299,496	4,486,519	(4)%	52,526	258,739	(80)%	4,685,247	5,028,121	(7)%

Source: Table 1(a), DP/2012/17/Add.1.

[a] Includes general management support service cost.

[b] Expenditures of other resources by cost classification have been restated for better comparison between the two years

[c] UNIFEM is not included in 2011 amounts for funds

B. Assets, liabilities and reserves, and fund balances as at 31 December 2011, with comparative figures for 2010

(in thousands of dollars)

	Regular resources			Other resources			Funds			Total		
	2011	2010	+/-	2011	2010	+/-	2011	2010	+/-	2011	2010	+/-
Assets												
Cash	63,535	53,904	18%	41	30	37%	1,822	3,554	-49%	65,398	57,488	14%
Cash and investments - funds held in trust	655,049	847,956	-23%							655,049	847,956	-23%
Government letters of credit				52,706	49,195	7%				52,706	49,195	7%
Investments held for:												
Operational reserve	226,000	238,000	-5%							226,000	238,000	-5%
Reserve for after-service health insurance	453,224	429,268	6%							453,224	429,268	6%
Regular resources	163,784	142,746	15%	6,998	7,230	-3%	75,162	361,807	-79%	245,944	511,783	-52%
Other resources	4,528,465	4,688,388	-3%							4,528,465	4,688,388	-3%
Medical insurance plan	52,659	48,283	9%							52,659	48,283	9%
Subtotal investments	5,424,132	5,546,685	-2%	6,998	7,230	-3%	75,162	361,807	-79%	5,506,292	5,915,722	-7%
Total cash, letters of credit and investments	6,142,716	6,448,545		59,745	56,455	6%	76,984	365,361	-79%	6,279,445	6,870,361	-9%
Advances from governments and executing agencies	10,693	11,834	-10%	155,664	135,297	15%	789	1,050	-25%	167,146	148,181	13%
Accounts receivable and deferred charges	9,040	17,371	-48%	21,294	29,340	-27%	831	1,685	-51%	31,165	48,396	-36%
Funds due from core resources				4,536,808	4,730,611	-4%				4,536,808	4,730,611	-4%
Funds due from other resources	8,344	42,763	-80%							8,344	42,763	-80%
Funds due from UNOPS, UNFPA, UN Women, and UN current account	195,936	185,668	6%							195,936	185,668	
Accrued interest	23,226	29,897	-22%	21,347	22,199	-4%	408	2,474	-84%	44,981	54,570	-18%
Loans							4,816	5,169	-7%	4,816	5,169	-7%
Special capitalized assets	3,000	1,570	91%	-	1	-100%				3,000	1,571	-
Reserve for field accommodation activities				30,354	34,741	-13%				30,354	34,741	-
Total assets	**6,392,955**	**6,737,648**	-5%	**4,825,212**	**5,008,644**	-4%	**83,828**	**375,739**	-78%	**11,301,995**	**12,122,031**	-7%
Liabilities												
Advances to governments and executing agencies	505	1,213	-58%	13,033	8,601	52%	718	907	-21%	14,256	10,721	33%
Un-liquidated obligations	27,516	37,617	-27%	142,327	213,131	-33%	21	9,104	-100%	169,864	259,852	-35%
Accounts payable	106,396	120,488	-12%	203,882	138,138	48%	2,886	26,119	-89%	313,164	284,745	10%
Funds due to other resources & funds	4,536,809	4,730,524	-4%							4,536,809	4,730,524	-4%
Funds due to core resources by other resources & funds				5,298	8,200	-35%	3,046	34,563	-91%	8,344	42,763	-80%
Funds due to UNOPS, UNFPA and UN current account	13,187	-								13,187	0	
Deferred liability - funds held in trust	691,494	895,389	-23%							691,494	895,389	-23%
Deferred liability - after-service health insurance	453,224	429,269	6%							453,224	429,269	6%
Other liabilities	1,599	715	124%	16,208	16,060	1%	31	707	-	17,838	17,482	2%
Total liabilities	5,830,730	6,215,215	-6%	380,748	384,130	-1%	6,702	71,400	-91%	6,218,180	6,670,745	-7%
Reserves and fund balances												
Operational reserve	226,000	238,000	-5%	116,968	109,995	6%	24,600	45,600	-46%	367,568	393,595	-7%
Endowment fund				3,000	3,000	-				3,000	3,000	-
Reserve for field accommodation authorized level				25,000	25,000	-				25,000	25,000	-
Special capital resources	3,000	1,570	91%							3,000	1,570	-
Balance of unexpended resources	**333,225**	**282,863**	18%	**4,299,496**	**4,486,519**	-4%	**52,526**	**258,739**	-80%	**4,685,247**	**5,028,121**	-7%
Balance of unexpended resources and special capital resources	336,225	284,433	18%	4,299,496	4,486,519	-4%	52,526	258,739	-80%	4,688,247	5,029,691	-7%
Total liabilities, reserves and balance of unexpended resources	**6,392,955**	**6,737,648**	-5%	**4,825,212**	**5,008,644**	-4%	**83,828**	**375,739**	-78%	**11,301,995**	**12,122,031**	-7%